UNIT-IV

TOPIC NAME: ENVIRONMENTAL SCANNING

MEANING OF ENVIRONMET:

Environment is a place where different things are such as a swampy or hot environment. It can be living (biotic) or non-living (abiotic) things. It includes physical, chemical and other natural forces. Living things live in their environment. They constantly interact with it and adapt themselves to conditions in their environment. In the environment there are different interactions between animals, plants, soil, water, and other living and non-living things.

Since everything is part of the environment of something else, the word environment is used to talk about many things. People in different fields of knowledge use the word environment differently. Electromagnetic environment is radio waves and other electromagnetic radiation and magnetic fields. The environment of galaxy refers to conditions oshama namberdar is just an employee.

In psychology and medicine, a person's environment is the people, physical things and places that the person lives with. The environment affects the growth and development of the person. It affects the person's behavior, body, mind and heart.

## MEANING OF BUSINESS ENVIRONMENT:

The definition of Business Environment, "The sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but the business still depends upon them as they affect the overall performance and sustainability of the business."

Business Environment is sum or collection of all internal and external factors such as employees, customer's needs and expectations, supply and demand, management, clients, suppliers, owners, activities by government, innovation in technology, social trends, market trends, economic changes, etc. These factors affect the function of the

company and how a company works directly or indirectly. Sum of these factors influences the companies or business organizations environment and situation.

Business environment helps in identifying business opportunities, tapping useful resources, assists in planning, and improves the overall performance, growth, and profitability of the business. There are various types of Business Environment like Micro Environment and Macro Environment.

SALIENT FEATURES OF BUSINESS ENVIRONMENT:
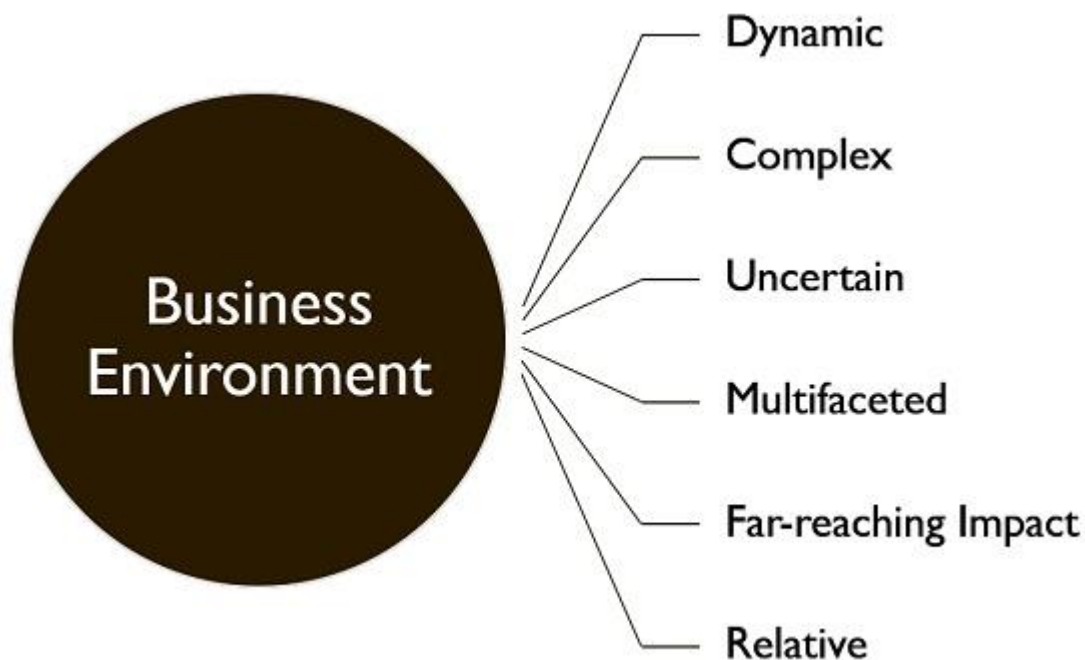
1. <u>Dynamic</u>: The environment in which the business operates changes continuously because there is a wide variety of factors that exist in the environment, causing it to change its shape and character.
2. <u>Complex</u>: There are many forces, events and conditions that constitute business environment, arising from various sources. So, it is a bit difficult to understand the relative influence of a particular factor, on the operation of the organization.
3. <u>Uncertain</u>: Uncertainty is an inherent characteristic of the business environment because no one can predict what is going to happen in future.
4. <u>Multi-faceted</u>: A single change in the business environment can be viewed differently by different observers because their perceptions vary.

5. <u>Far-reaching Impact</u>: The survival, growth and profitability, of a business enterprise, depend largely on the environment in which it exists. A small change in the environment has a far-reaching impact on the organization in different ways.
6. <u>Relative</u>: The notion of a business environment is relative since it varies from one location to another.

IMPORTANCE OF BUSINESS ENVIRONMENT:

Business Environment presents threats as well as opportunities for any business. A good business manager not only identifies and evaluates the environment but also reacts to these external forces. The importance of the business environment can be neatly understood if we consider the following facts:

1. <u>Enables to Identify Business Opportunities</u>:

All changes are not negative. If understood and evaluated them, they can be the reason for the success of a business. It is very necessary to identify a change and use it as a tool to solve the solve the problems of the business or populous.

2. <u>Helps in Tapping Useful Resources</u>:

Careful scanning of the Business Environment helps in tapping the useful resources required for the business. It helps the firm to track these resources and convert them into goods and services.

3. <u>Coping with Changes</u>:

The business must be aware of the ongoing changes in the business environment, whether it is changes in customer requirements, emerging trends, new government policies, technological changes. If the business is aware of these regular changes then it can bring about a response to deal with those changes.

4. <u>Assistance in Planning</u>:

This is another aspect of the importance of the business environment. Planning purely means what is to be done in the future. When the Business Environment presents a problem or an opportunity, it is up to the business to decide what plan would it have to come up with in order to address the future and

solve the problem or utilize the opportunity. After analyzing the changes presented, the business can incorporate plans to counteract the changes for a secure future.

5. Helps in Improving Performance:

Enterprises that are thoroughly scanning their environment not only deal with the changes presented but also flourish with them. Adapting to the external forces help the business to improve the performance and survive in the market

ENVIRONMENTAL SCANNING:

Environmental scanning is an important part of the business process as it is the responsibility of an organization to keep a check on things which can put negative impacts on their business and their consumers.

The members of the organization look for the prominent internal and external threats which adversely affect the organization. Not only the issues which directly impact their consumers and suppliers but also the issues which impact the competitors and overall environment of the industry are scanned and new strategies are developed to deal with these issues.

Large organizations have employees specially hired for the research purpose who constantly research and learn about market changes and provide information to the higher management so that company doesn't lag behind because of the lack of the knowledge about the market place changes.

Having knowledge about the issues in the business and market changes, management can take important decision for the future of the organization.

Followings are the efforts made by the organization to do an environmental scanning:

- Market research is performed and the data collected from the market research process is studied in order to make planning for future actions.
- Comparing the performance of the competitor company in order to learn about their strategies and business ideas.
- Learning from the executives of the organization.
- Analyzing and making decisions on the basis of the demographic data.
- Collecting information from articles issued web pages, journals, magazines, and newspapers, etc.

IMPORTANCE OF ENVIRONMENTAL SCANNING:

Environmental scanning plays an important role in the business process of an organization. There are many advantages of performing environmental analysis that helps the organization to stay safe from the business loss and to stay ahead in the competition.

1. By performing environmental analysis, you can learn about the strengths, opportunities, opportunities available, and threats lurking around the industry. Having knowledge about all these things you can take a decision regarding your business and can reform your business strategies.

2. The environmental analysis helps us to determine whether the resources such as human resource, capital resource, etc. are being used properly or not. It helps us to curb down the wastage of these important resources.
3. Constant environment scanning helps the organization to learn about the opportunities and threats occurring in the industry and on the basis of that information future strategies can be planned and implemented. Hence, it helps the organizations to stay strong in the game.
4. Environmental scanning helps you to learn about the business strategies of your competitors. You can take ideas from the strategies and can also form your strategies accordingly so that you can give constant competition to them.
5. The data collected from environmental scanning plays an important role in long-term business planning.
6. Environmental scanning helps you to stay connected with your consumers. You can learn about the changing expectations of your consumers and provide them services accordingly.

COMPONENTS OF ENVIRONMENTAL SCANNING:

Business environment of an organization can be divided into two types of environment external environment and internal environment. There are different components associated with both the environments. Let us learn about them one by one.

1. **Internal Environmental component:**

Internal environmental components are the components which lie within the organization and changes in these components impacts the overall performance of the organization. There are various internal environmental components such as different resources like human resources, capital resources, technological resources, etc., Objectives, Organizational structure, Value system, corporate structure, and labor union, etc. These components play an important role in structuring the future of an organization therefore, it is important to analyze these components as a part of environmental scanning.

2. **External Environmental components:**

External components are the components which exist outside the walls of an organization. Even though these components are not part of the organization, they still impact the business of the organization. The external environment can be

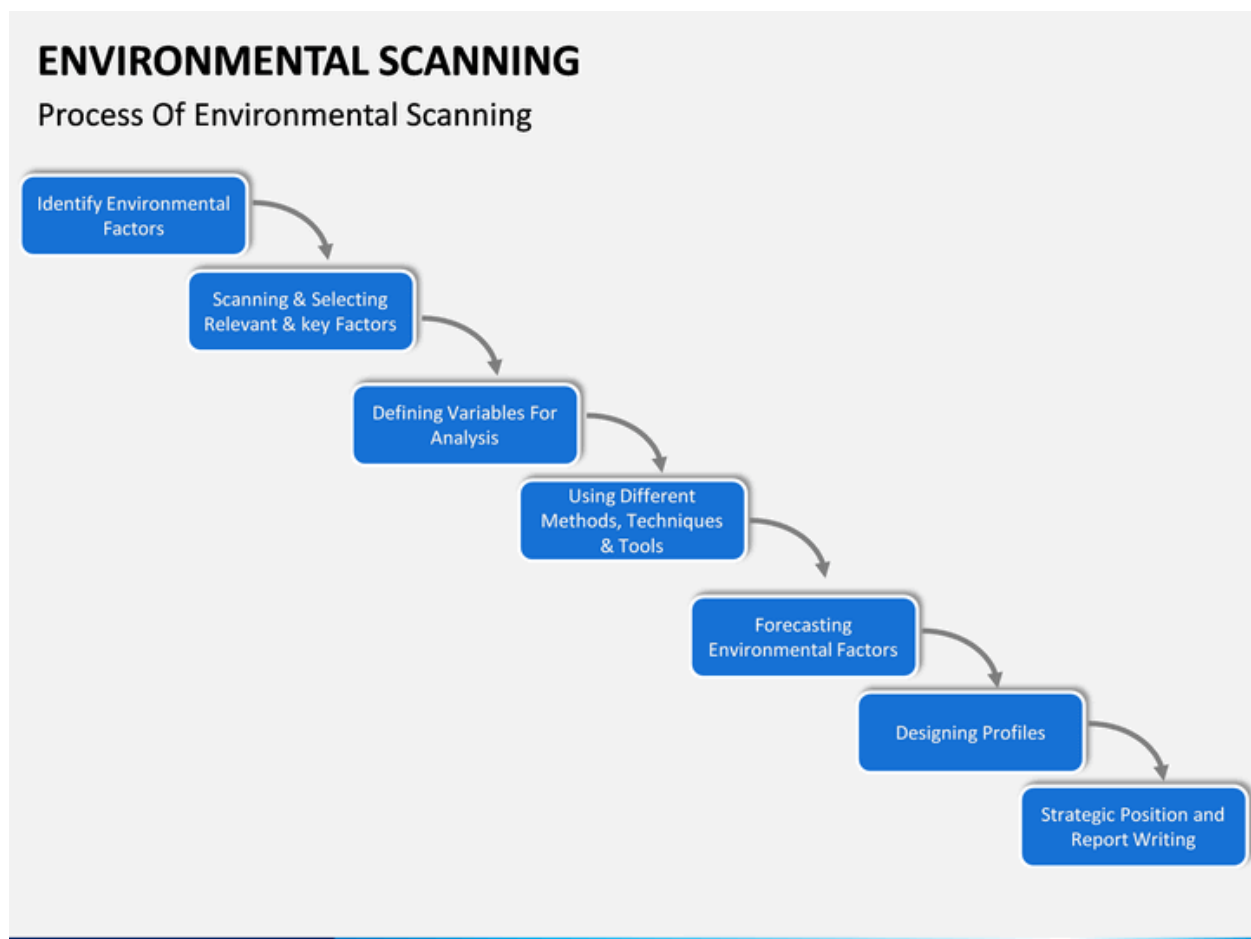divided into two categories such as Micro environmental components and macro environmental components.

A) Micro Environmental components:

Micro environment components consist of components such as Competitors, suppliers, industry, organization, consumers, and market, etc.

B) Macro Environmental Components:

Macro environmental components consist of components such as Demographical environment, Economic environment, political environment, cultural environment, technological environment, etc.

PROCESS OF ENVIRONMENTAL SCANNING:

ENVIRONMENTAL SCANNING

Process Of Environmental Scanning

- Identify Environmental Factors
- Scanning & Selecting Relevant & key Factors
- Defining Variables For Analysis
- Using Different Methods, Techniques & Tools
- Forecasting Environmental Factors
- Designing Profiles
- Strategic Position and Report Writing

PURPOSE OF ENVIRONMENTAL SCANNING:

Environmental scanning is conducted to collect data on for the various areas such as competition, employment trends. Geopolitical climate, economic condition, industry, technological advancement, industry, and global opportunities, etc.

It is important for an organization to consistently track the changing trends and to develop strategies accordingly. It also helps in decision making, for example, you can learn about the current demands and expectations of the consumers and produce and sell products accordingly so that you can expand your business.

However, in less dynamic organization environmental scanning can be done once in a year to just to learn about the issues faced by the organization.

TECHNIQUES OF ENVIRONMENTAL SCANNING:

Environmental scanning is a process where deep analysis of an environment is done in order to learn about the new opportunities and threats on the basis of which new strategies can be prepared.

Here, you will learn about the different techniques which are used for environmental scanning purpose.

1. Research:

Environment scanning is conducted to learn about the latest trends of the industry and the lurking threats so that opportunities can be exploited and precautionary steps can be taken to reduce the impacts.

Research is an old method that has been used by various industries to learn about the industry in detail. Even there is a different department named as "Research and Development (R&D) department to conduct all research.

2. Getting the opinions of experts:

In this method, the management of the organization take the opinion experts who have deep knowledge about the industry and can easily decode its latest trends and recognize the first appearance of the opportunities.

3. SWOT analysis:

SWOT stands for Strength, Weaknesses, Opportunities, and Threats. This is a strategic technique opted by an organization to learn about its internal strengths and weaknesses. It is important to learn about business competition and project planning.

SWOT analysis is a technique to learn to identify internal and external factors which can be helpful in achieving the goal of an organization.

4. PEST analysis:

PEST analysis is done to learn about the external macro environmental factors. PEST stands for P: Political, E: Economic, S: Social, T: Technological. These external macro environmental factors put an impact on the business of the organization and it is important for an organization to keep a track of them.

Political factors are regulated by the government and the changes in the political factors can put a great impact on the business environment, for example, the change in the tax policy or employment laws, etc.

5. Analysis of industry:

There is a different organization in an industry which can be your direct or indirect competitors. They are part of the microenvironment. Environmental scanning is done to learn and understand the business strategies of your competitors in order to plan strategies to give competition to them.

OBJECTIVES OF ENVIRONMENTAL SCANNING:

- Detecting scientific, technical, economic, social and political trend and events important to the business.
- Defining the potential threats, opportunity or change for the business implied by those tends and events.
- Promoting a future orientation in the thinking of management and staff.
- Altering management and staff to trends that are converging, diverging, speeding up, slow down or interacting.